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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 001494

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SUBJECT: GOVERNMENT AND BUSINESS DISCUSS ANTI-CORRUPTION
DRIVE AND BANGLADESH ECONOMY

REF: DHAKA 1472

Classified By: CDA a.i. Geeta Pasi, reason 1.4 (b) and (d)

11. (C) SUMMARY: Chief Adviser Fakhruddin Ahmed and Chief of Army Staff General Moeen U Ahmed met September 5 with members of the nation's business community in an effort to strengthen the commercial climate. Business confidence appears to be weakening in the wake of floods, rising prices, the government's anti-corruption campaign, and falling investment levels, including orders for ready-made garments that typically decline this time of year. Business representatives voiced support for the Caretaker Government, but expressed concern that Bangladesh's economy is faltering and noted that investment will not thrive in a climate where investors fear they may become a target of anti-corruption authorities. Moeen and Fakhruddin Ahmed emphasized the importance of attacking corruption in Bangladesh, but vowed to finalize by the end of September the list of individuals authorities plan to investigate. Moeen and the Chief Adviser discussed progress the government has made on certain economic priorities and unveiled a number of initiatives aimed at improving government-business interaction. Their comments were welcomed by the business representatives, but some question whether the Caretaker Government has the ability to achieve the large number of economic and commercial goals highlighted at the meeting. END SUMMARY.

12. (C) Scores of businesspeople attended a September 5 gathering on "Bangladesh Economy and Future Perspective," at which Chief of Army Staff General Moeen U Ahmed and Chief Adviser Fakhruddin Ahmed were keynote speakers. The host of the event was ostensibly the Ministry of Commerce. One businessman told CDA a.i. that attendance at the conference had been required of the business community by the Directorate General of Forces Intelligence. Others indicated they were pleased that such a dialogue was held, regardless of who actually organized the event.

ANTI-CORRUPTION CAMPAIGN WILL CONTINUE, WITHIN LIMITS

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13. (U) In his speech to the gathering, General Moeen stated in strong terms that the Caretaker Government's anti-corruption campaign was needed to guarantee free and fair elections in 2008. He called upon the business representatives to act as "whistle-blowers" and report corrupt "culprits." The business representatives, for their part, criticized the Caretaker Government for creating a climate of fear and for being overzealous in its efforts to root out corruption. They asserted that the economy of Bangladesh has suffered as a result of the anti-corruption

drive, which has discouraged investors from establishing and expanding business ventures. In response to these comments, Moeen reported that the government's list of people to be investigated on corruption charges currently stands at 142 persons. He stated that the list would not exceed 220 and that it would be finalized by the end of September. Moeen said that anyone not on the list by that date would not be subject to investigation for past corrupt activities. The audience greeted Moeen's statements with applause. The Chief Adviser reiterated this point in his address to the nation September 9. (Reftel)

RISING PRICES AND RAMADAN =====

14. (C) There was much discussion of inflation in Bangladesh at the gathering. Prices, which traditionally increase during Ramadan, are already high, particularly for food and fuel. Many registered concern about the consequences of further price hikes -- as Ramadan starts this week -- on a population already suffering the effects of flooding and loss of some domestic food stocks. Business representatives urged the government to ameliorate prices in the short term by increasing the supply of food imports. Government representatives said they were addressing the problem and asked business to do its part in keeping food prices down by limiting Ramadan markups. (COMMENT: Some of our contacts indicated that it was concern about inflation in the run-up to Ramadan that led the government to call this meeting. Other actions that indicate the government's concern include a Bangladesh Rifles (BDR) operation to acquire food at wholesale prices and sell it to the populace with no markup. END COMMENT.)

DHAKA 00001494 002 OF 002

AMBITIOUS PLANS TO BOLSTER THE ECONOMY =====

15. (U) Moeen and the Chief Adviser highlighted the Caretaker Government's economic accomplishments and outlined some of its initiatives to bolster the country's economy. The Chief Adviser noted the government's progress in making Chittagong Port more efficient and described plans to address Bangladesh's severe power shortage. He reported the government was working to initiate a range of power projects, from smaller, private independent power projects (IPPs) to larger government power projects. Until those projects are up and running, the government is making plans to address Bangladesh's power needs in the short term, according to Fakhruddin Ahmed.

16. (U) Both Moeen and Ahmed discussed a range of ideas to bolster the economy, including sweeping reform of the government's regulatory system, better management of tax policy, expediting the implementation of development programs and promoting worker remittances through labor export. Both leaders also emphasized the leading role the private sector plays in Bangladesh's economy. The Chief Adviser announced the creation of a Better Business Forum that he will chair and that will include representatives of top businesses. He said the forum will meet on a regular basis to make decisions on issues of concern to the private sector.

17. (C) COMMENT: The meeting itself was an indication that the government has realized it needs to better communicate its priorities and actions to the public. While businesspeople appreciated government reaching out to discuss the economic situation, they are now waiting to see how the government acts on the economic initiatives presented at the gathering. Many expressed concern about the Caretaker Government's capacity to implement all of the large-scale economic reforms discussed at the meeting. Problems of inflation, weak infrastructure, and declining investment do not have quick fixes. In the short term, high prices -- particularly for food -- are likely to continue to plague

Bangladesh citizens and the government. High food prices are mainly the result of factors external to Bangladesh, including low food stockpiles globally. This reality paired with cumbersome government procurement rules in Bangladesh is likely to make it difficult for the Caretaker Government to quickly augment food stocks with imports.

Pasi